Practitioners of competitive intelligence (CI) in most developed markets are accustomed to applying analytical and statistical tools to in-depth information which are available in standard database formats and collected from reliable sources. Increasingly, CI professionals are capturing market intelligence and evaluating growth opportunities in emerging markets like India. However, India can overwhelm even the most astute CI practitioner, as many traditional methodologies don’t work in the Indian context.

In developed economies, data insufficiency becomes an issue when researchers seek highly granular information and analysis. This challenge can be overcome by using proxies – alternate parameters that closely mirror those of interest. In many emerging markets, even the very basic data is insufficient, which renders advanced techniques ineffective. In India, researchers are faced with providing actionable analysis in an environment that contains insufficient and unreliable data. Several key characteristics of the Indian environment contribute to this situation:

- A large unorganized”informal” sector
- Financial reporting inadequacies
- Inadequate statistical machinery
- An immature CI market
- Under-researched market sectors
- Limited scope for mining “informal” information

CI professionals tasked with analyzing Indian companies and marketplaces must develop innovative ways of gathering credible data and modifying existing analytical tools for actionable intelligence.
FINANCIAL REPORTING INADEQUACIES

Acquiring reliable financials on companies in India can be challenging in many respects. Currently, Indian companies follow Indian generally accepted accounting principles (GAAP) standards, which vary significantly from the globally accepted International Financial Reporting Standards (IFRS). Indian stock exchange listed companies will move to IFRS in 2011 but Indian accounting rules will continue to differ in some areas. Therefore Indian company financial statements will not be completely comparable to firms in other countries, even beyond 2011. For those companies that are not listed on the Indian exchange, the rate of IFRS adoption will likely be significantly slower.

Financial statements of smaller businesses are often not completely accurate. Business owners typically wield significant power over their accountants and auditors and reported data can be unreliable because of vested interests. Indian private companies are typically lax about filing their annual returns with the Registrar of Companies. In addition, the level of detail varies widely as the mandatory filing requirements are very minimal. For example we frequently encounter missing income statements, unavailable company board resolutions, and out-of-date financial statements.

As a result, due diligence analysis on Indian competition, potential vendors, customers, etc. could go very wrong if a CI practitioner relies on reported numbers alone. When developing comparable analyses, the data should be vetted by a competent professional who is well versed in both Indian and global standards. Indian accountants are very aware of the typical misrepresentations and ‘window dressing’ in Indian financials and can provide well-rounded insights into the company’s true financials. In addition, financial analysis should always be done in conjunction with primary research on the company’s activities.

INADEQUATE STATISTICAL MACHINERY

In India, the government statistical infrastructure and processes for collecting data on the economy is inefficient, and consequently data collection considered basic in developed economies is often simply not done. Under the Indian constitution, various statistical collection requirements fall under the jurisdiction of the central or the state government.

Data collection and availability on sectors under the central purview are reasonably good, as just one agency is involved. However, obtaining aggregate national data on information collected by the different states (such as education, water, electricity, liquor, etc.) is quite challenging since the regulations, data collection rigor, and recording methods vary widely across states.

The following are examples of typical cases of data inadequacy:

- **Data on credit worthiness of individuals and organizations** is not accurately available. Only recently has the concept of the credit bureaus been accepted. The first credit bureau in India, Credit Information Bureau of India Ltd. (CIBIL), is building credit scores, but its operations are still developing and data access is restricted to CIBIL member institutions.
- **Construction and real estate** are among the fastest growing sectors in the Indian economy. Globally, permit data is used as a demand/supply indicator for investments in real estate. However, since this information is collected at the municipal level, no formal system exists to aggregate the data at the state or country level.

Other instances of **data blind-spots** include the number of housing units in the country, periodic employment aggregate data, income data at a city level, and the kilometers of water pipelines.

IMMATURE CI MARKET

The organized CI activity in India is minimal. Only after the 1990s liberalization of the Indian economy have companies realized the need to develop their own CI capabilities. Several larger companies have a well-defined CI activity; in others it is informal news-sharing. For a summary of the current state of CI, see sidebar 1. Figure 3 below gives

<table>
<thead>
<tr>
<th>Category</th>
<th>Source</th>
<th>Data Available</th>
<th>Data available (Rating 1-4)</th>
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</thead>
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<td></td>
<td></td>
<td></td>
<td>Comprehensiveness</td>
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<tr>
<td></td>
<td></td>
<td>Micro data</td>
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<td></td>
<td></td>
<td>Research &amp; Analysis</td>
<td>★ ★ ★ ★</td>
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<td>Paid databases</td>
<td>★ ★ ★ ★</td>
</tr>
<tr>
<td>Trade</td>
<td>Ministry of Industry &amp; Commerce, RBI, Economic Survey, FICCI, IBEF</td>
<td>Macro data</td>
<td>★ ★ ★ ★</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Micro data</td>
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<td>Research &amp; Analysis</td>
<td>★ ★ ★ ★</td>
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<td>Paid databases</td>
<td>★ ★ ★ ★</td>
</tr>
<tr>
<td>Company data</td>
<td>CMIE Prowess, Ministry of Corporate Affairs, CRISIL</td>
<td>Macro data</td>
<td>★ ★ ★ ★</td>
</tr>
<tr>
<td></td>
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<td>Micro data</td>
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<td></td>
<td>Research &amp; Analysis</td>
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<tr>
<td></td>
<td></td>
<td>Paid databases</td>
<td>★ ★ ★ ★</td>
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</tbody>
</table>

Figure 1: Availability and quality of economic data
Source: ValueNotes
the relative position of CI in India as compared to other countries.

However, Indian perceptions concerning competitive intelligence are changing, as evidenced by the growing number of CI practitioners and an increase in their activity. Post liberalization competition in many sectors continues to intensify, creating a significant driver for improving companies’ CI competencies.

UNDER-RESEARCHED MARKET SECTORS

While research on broad verticals and segments is available, little exists at the micro-level because of a low level of demand for it. Very few companies conduct good research, and their efforts are focused on the more developed market segments. Emerging market segments are largely neglected.

To illustrate, a major global company in the non-dairy food products segment could not determine why they were losing market share to local competitors in India. The company’s market intelligence suggested that smaller companies were providing the same quality product at significantly lower prices. The major company sought intelligence concerning a specific area within non-dairy food products – its competitors’ supply chain, plant, machinery, and production processes. Data and research in this area was practically non-existent, and only intensive primary research helped them map the competitive landscape.

Other opportunities are emerging in new market areas (for instance, rural India), which are typically unorganized, under-documented and under-researched. Intensive primary research remains the only way to conduct effective competitive intelligence in these areas.

LIMITED INFORMAL INFORMATION

Since sharing information through blogs, forum, discussion groups, and social networking sites is not yet widespread in India, little informal information is available through these venues. Important information and insights on a firm’s negative track record may only be visible by conducting on-the-ground research.

For instance, very few details on the quality, processes, reputation, customer feedback, etc. of office equipment manufacturers exist, especially compared to the US and UK where many related blogs and discussion boards can provide

SIDEBAR 1: SUMMARY OF THE CURRENT STATE OF CI IN INDIA

Low penetration levels even amongst large companies and MNCs - less than 20% have a CI capability. Difference in competitiveness and operation of markets are responsible for the current underdeveloped state. Awareness of CI has been rising, and large companies are increasingly feeling the need for formal CI. Small and medium companies do not (yet) feel the need for formal CI. Companies still need to be educated on why they need CI. Though there is very little structured and organized CI currently being done in India, standards of research are better than in many other emerging markets. Most companies do not differentiate between market research and competitive intelligence.

SIDEBAR 2: STUDY OF INSURABLE ASSETS OF MEDIUM AND LARGE INDIAN COMPANIES CONDUCTED FOR A US INSURANCE COMPANY

The study’s objective was to:

• Evaluate the potential for insurable assets in India in a particular industrial niche.
• Identify geographical clusters of these companies (prospective customers).
• Understand distribution of medium sized firms by industry and location.
• Map competitive landscape.

The deliverable included a database of 150,000 Indian companies, analyzed by size (insurable assets), location, and sector: The study:

• Identified target companies.
• Listed the top 20 locations where insurable assets are concentrated.
• Provided clusters by industry category.
• Mapped location distribution for each industry.
• Mapped distribution of companies by insurable assets.
• Provided additional analysis / segmentation of clusters and industries.

Because there was no single source of reliable information on the target companies, data was collected from multiple sources and compiled into an internal database. Since the various sources and databases applied different classification systems, the information had to be manually normalized. None of the database contents contained “insurable assets.” The company Balance Sheets only reported Gross and Net Block, various factors such as gross fixed assets, age of company, sales, etc were analyzed further to arrive at a realistic empirical relationship between the gross fixed assets and insurable assets for companies across 48 different industry segments. These ratios were then applied to the entire sample, based on industry segment.

The market size of this opportunity turned out to be significantly lower than the company originally expected.
segments the excitement level is so high that companies do not adequately determine the validity of the market before committing investments.

For instance, an international retail property fund became interested in entering the Indian retail market for high-end shopping mall space. They viewed high-end retail as a growth segment, especially in Tier II cities as consumption increased. Data on regional incomes and spending was not available specific to catchment areas – geographical areas around the retail outlet where the customers are. Discussions with experts, retailers, and target consumer segments in the areas provided estimates of the catchment's population and shopping spends. Detailed research indicated that the ROI in high-end retail in the selected area was not at all attractive, particularly when retail property prices were at their peak.

**CONDUCTING CI IN INDIA**

Individuals conducting competitive intelligence in India will need to use a variety of information sources and a methodology that will account for the following realities.

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**Table: Data Availability in Indian Industries**

<table>
<thead>
<tr>
<th>Category</th>
<th>Source</th>
<th>Data Available</th>
<th>Data available (Rating 1-4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom</td>
<td>COAI, TRAI, Ministry of Information Broadcast, Industry magazines, published research</td>
<td>Macro data, Micro data, Research &amp; Analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paid databases</td>
<td></td>
</tr>
<tr>
<td>Auto</td>
<td>ACMA, SIAM, ARAI, WIAA, Industry magazines, published research</td>
<td>Macro data, Micro data, Research &amp; Analysis</td>
<td>Paid databases</td>
</tr>
<tr>
<td>FMCG</td>
<td>CIFTI, Ministry of Food Processing Industries, IMRB, AC Nielsen, published research</td>
<td>Macro data, Micro data, Research &amp; Analysis</td>
<td>Paid databases</td>
</tr>
<tr>
<td>Banking &amp; Financial Services</td>
<td>RBI, IBA, AMFI</td>
<td>Macro data, Micro data, Research &amp; Analysis</td>
<td>Paid databases</td>
</tr>
<tr>
<td>Real Estate</td>
<td>BAI, CREDAI, ACRI, published research</td>
<td>Macro data, Micro data, Research &amp; Analysis</td>
<td>Paid databases</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Ministry of Chemicals &amp; Fertilizers, Industry magazines, ICMA, ISCMA, Indian chemical portal, published research</td>
<td>Macro data, Micro data, Research &amp; Analysis</td>
<td>Paid databases</td>
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<tr>
<td>Engineering</td>
<td>Dept. of Chemicals &amp; Fertilizers, TIE, Industry magazines, published research</td>
<td>Macro data, Micro data, Research &amp; Analysis</td>
<td>Paid databases</td>
</tr>
</tbody>
</table>

**Figure 2: Some industries are quite well covered.**
Source: ValueNotes

very valuable information. In India in-depth primary-research based due diligence is the main way to unearth information on competitors’ reputation, image and credibility, which may be completely at odds with documentary evidence.

**SLOWER DECISION-MAKING IN INDIA**

Based on the various challenges discussed above, companies seeking to quickly tap market opportunities in the Indian face several challenges. It is difficult to size the market well or even see the dimensions of the addressable market opportunity. Further, the biggest obstacle is separating hype from reality. In some
Data may not be available all the time

Is proxy data available? If there is no information on competitor’s sales in a particular region, check instead their production records from local excise (tax) departments. Or talk to their transport carriers and work out average volumes leaving the factory. Use government sources and other credible sources where applicable (refer to table). Annual reports of private companies are available with the Registrar of Companies. As mentioned earlier, this may not give a clear idea of the company under consideration, but it can indicate or validate trends or insights.

Use the Right to Information (RTI) Act to obtain official data. RTI has been a boon for CI and market professionals in India as it allows access to government records. When information requests are under this act, the public authorities have to reply within 30 days. While this may have limited utility in gathering direct CI, this approach can provide market intelligence to corroborate or validate findings, especially where the business is significantly regulated.

For instance, we have used RTI effectively to gather information on excise (duties) paid and from it calculated production, demand, and consumption patterns. A company studying the utilities market in India used RTI to gather data on electricity and water meters in various states, billing rates, and other related information. This information was critical in estimating the opportunity to provide metering services.

Use local insights liberally

No business intelligence in India can be complete without gathering insights and information from market participants. CI practitioners must engage with customers, employees, vendors, and consultants. The good news is that in India, people can talk endlessly.

A US-based company required competitive intelligence on high-end knife manufacturers in India, but found that no competitive information existed for this niche product. Focus group discussions with chefs from high-end luxury hotels were instrumental in providing information and insights on the competition and developing an entry strategy.

Triangulate findings

Since no single source of information is completely credible or exhaustive by itself, companies must triangulate their findings. Several years ago a company in the cosmetic industry wanted to gather intelligence about launching a retail salon chain in urban India. The study had to validate the market size and map competitor activity in the Indian beauty salon industry. Anecdotal estimates suggested that more than half the salons were in the ‘home’ segment, typically run by individuals in their home.

No standard way existed to compute the market size, and findings gathered from estimation, primary research, and extrapolation had to be triangulated. First, urban India was divided into Tier I, Tier II, Tier III, Tier IV towns. For a sample of cities in each category primary research established the population to salon ratio for each one. This value was extrapolated across all cities to estimate the number of salons by size in urban India. Extensive interviews with beauty salons gave estimates of average revenues by service area, and by the size and location of the salon. These values were also extrapolated across the universe of salons to get an estimate of the total market size. Interviews with leading beauty salon suppliers, distributors and beauty salon owners validated various aspects of extrapolated data.

Use local CI practitioners

General advantages exist for working with a local partner when conducting competitive intelligence in another country. When working with local Indian partners, ensure that they:

- Do on-the-ground CI work, not just secondary data collection.
- Provide customer references.
- Have relevant experience and a good management team
- Have the personnel resources to conduct primary research.
- Have multi-lingual capabilities, including English. (India has 23 official languages.)
- Are well networked in the business community
- Adhere to high ethical standards

Research integrity can be a major concern in India. So ensure that the partner’s reliability, credibility and integrity is unquestioned.

To conclude, conducting CI in India may be difficult, but not impossible. A spoonful of research, a measure of data, a sprinkling of local flavouring agents, with a dollop of insight and a dash of luck is all that is required!

Varsha Chitale has over 15 years experience in consulting, business research and CI. She is a founder member of ValueNotes and heads the core research team there. She holds a Masters degree from the London School of Economics and is a qualified CFA from ICFAI.